

**TOWN OF LYNNDYL**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2005**

**TOWN OF LYNN DYLL  
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YEAR ENDED JUNE 30, 2005**

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## **ACCOUNTANT'S COMPILATION REPORT**

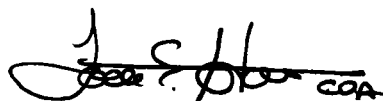
May 17, 2006

Honorable Mayor and Town Council  
Town of Lynndyl  
Lynndyl, Utah

I have compiled the accompanying financial statements of the governmental and business-type activities of Lynndyl Town, (herein referred to as the "Town"), as of and for the year ended June 30, 2005, which collectively comprise the Towns' basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The Management's Discussion and Analysis and Budgetary Comparison information on pages 2 through 6 and page 13 are not a required part of the basic financial statements; but are supplementary information required by the Governmental Accounting Standards Board. I have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

A handwritten signature in black ink, appearing to read "Todd E. Holt", followed by the letters "CPA" in a smaller, less distinct script.

Todd E. Holt, CPA

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

As management of the Town of Lyndyl (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005.

### **Financial Highlights**

- Governmental activity revenues decreased by \$ 30,344 over the previous year. This decrease is due to a decrease in grant funding received by the Town. The Business-Type revenues increased by \$ 2,164.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities of the Town provide the following services: public safety (police and fire), highway and streets, sanitation, water, recreation, and general administrative services.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local government units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

## **Proprietary Funds**

Proprietary funds provide the same type of information as presented as business-type activities in the government-wide financial statements, only in more detail.

## **Notes to the Financial Statement**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceed liabilities by \$ 176,614 at the close of the most recent fiscal year. The Town had \$ 66,799 in outstanding debt as of June 30, 2005.

### Lynndyl Town's Net Assets

	Governmental Activities 2005	Business-Type Activities 2005	Governmental Activities 2004	Business-Type Activities 2004
Current and Other Assets	\$ 53,017	\$ 21,287	\$ 56,794	\$ 22,444
Capital Assets	<u>66,622</u>	<u>110,246</u>	<u>72,083</u>	<u>122,822</u>
Total Assets	<u>119,639</u>	<u>131,533</u>	<u>128,877</u>	<u>145,266</u>
Other Liabilities	981	6,778	967	6,779
Long-Term Liabilities	<u>-</u>	<u>66,799</u>	<u>-</u>	<u>72,459</u>
Total Liabilities	<u>981</u>	<u>73,577</u>	<u>967</u>	<u>79,238</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	66,622	43,447	72,083	50,363
Unrestricted	<u>52,036</u>	<u>14,509</u>	<u>55,827</u>	<u>15,665</u>
Total Net Assets	<u>\$ 118,658</u>	<u>\$ 57,956</u>	<u>\$ 127,910</u>	<u>\$ 66,028</u>

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year as well.

### Lynndyl Town's Change in Net Assets

	Governmental Activities 2005	Business-Type Activities 2005	Governmental Activities 2004	Business-Type Activities 2004
Revenues:				
Program Revenues:				
Charges for Services	\$ 3,131	\$ 32,694	\$ 2,654	\$ 30,461
Operating Grants	14,949	-	17,923	-
Capital Grants	-	-	23,064	-
General Revenues:				
Property Taxes	8,481	-	12,160	-
Other Taxes	13,915	-	8,505	-
Miscellaneous	1,186	113	7,700	182
Total Revenues	<u>41,662</u>	<u>32,807</u>	<u>72,006</u>	<u>30,643</u>
Expenses:				
General Government	28,311	-	27,770	-
Public Safety	14,640	-	32,393	-
Highways and Streets	6,178	-	5,279	-
Culture and Recreation	1,785	-	4,458	-
Culinary Water	-	40,879	-	33,248
Total Expenses	<u>50,914</u>	<u>40,879</u>	<u>69,900</u>	<u>33,248</u>
Change in Net Assets	(9,252)	(8,072)	2,106	(2,605)
Net Assets - Beginning	<u>127,910</u>	<u>66,028</u>	<u>125,804</u>	<u>68,633</u>
Net Assets - Ending	<u>\$ 118,658</u>	<u>\$ 57,956</u>	<u>\$ 127,910</u>	<u>\$ 66,028</u>

### Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the Town's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town reported ending fund balance of \$ 52,036. Of this total amount, \$ 52,036 constitutes unreserved fund balance, which is available for spending at the Town's discretion.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Lynndyl, P.O. Box 40207, Lynndyl, Utah 84640.

**Town of Lynndyl**  
**Statement of Net Assets**  
**June 30, 2005**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 50,914	\$ 21,287	\$ 72,201
Accounts Receivable (Net of Allowance for Uncollectables)	2,103	-	2,103
<b>Capital Assets (Net of Accumulated Depreciation)</b>			
Land	50	-	50
Building and Improvements	55,907	-	55,907
Improvements Other Than Buildings	-	110,246	110,246
Machinery and Equipment	10,665	-	10,665
<b>Total Assets</b>	<b>119,639</b>	<b>131,533</b>	<b>251,172</b>
<b>Liabilities</b>			
Accounts Payable	424	455	879
Accrued Liabilities	507	-	507
Interest Payable	50	6,323	6,373
<b>Long-Term Liabilities:</b>			
Due Within One Year		5,724	5,724
Due In More Than One Year		61,075	61,075
<b>Total Liabilities</b>	<b>981</b>	<b>73,577</b>	<b>74,558</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	66,622	43,447	110,069
Unrestricted	52,036	14,509	66,545
<b>Total Net Assets</b>	<b>\$ 118,658</b>	<b>\$ 57,956</b>	<b>\$ 176,614</b>

**Town of Lynndyl**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Primary Government		
				Capital Grants and Contributions	Governmental Activities	Business-Type Activities
<b>Primary Government</b>						
Governmental Activities:						
General Government	\$ 28,311	\$ 729	\$ -	\$ -	\$ (27,582)	\$ (27,582)
Public Safety	14,640	2,402	14,949	-	2,711	2,711
Highways and Streets	6,178	-	-	-	(6,178)	(6,178)
Culture and Recreation	1,785	-	-	-	(1,785)	(1,785)
Total Governmental Activities	50,914	3,131	14,949	-	(32,834)	(32,834)
<b>Business-Type Activities:</b>						
Water	40,879	32,694	-	-	-	\$ (8,185)
Total Business-Type Activities	40,879	32,694	-	-	-	(8,185)
Total Primary Government	\$ 91,793	\$ 35,825	\$ 14,949	\$ -	(32,834)	(41,019)

<b>General Revenues</b>			
Taxes:			
Property Taxes	8,481	-	8,481
General Sales Taxes	13,915	-	13,915
Investment Earnings	-	113	113
Miscellaneous	1,186	-	1,186
Total General Revenues and Transfers	23,582	113	23,695
Change in Net Assets	(9,252)	(8,072)	(17,324)
Net Assets Beginning of Year	127,910	66,028	193,938
Net Assets End of Year	\$ 118,658	\$ 57,956	\$ 176,614

See Accompanying Notes and Accountant's Compilation Report

**Town of Lynndyl  
Balance Sheet  
Governmental Funds  
June 30, 2005**

	<u>General</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 50,914
Accounts Receivable (Net of Allowance for Uncollectables)	<u>2,103</u>
Total Assets	<u>\$ 53,017</u>
<b>Liabilities</b>	
Accounts Payable	\$ 424
Accrued Liabilities	507
Deposits	<u>50</u>
Total Liabilities	<u>981</u>
<b>Fund Balances</b>	
Unreserved:	
Undesignated, Reported in:	
General Fund	<u>52,036</u>
Total Fund Balances	<u>52,036</u>
Total Liabilities and Fund Balances	<u>\$ 53,017</u>

**Town of Lynndyl**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2005**

<b>Total Governmental Funds Balances</b>	<b>\$ 52,036</b>
<b>Amounts reported for governmental activities in the statement of net assets are different because</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	<u>66,622</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 118,658</u></b>

**Town of Lynndyl**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	<u>General</u>
<b>Revenues</b>	
Taxes:	
Property Taxes	\$ 8,481
General Sales Taxes	13,915
Licenses and Permits	729
Intergovernmental	14,949
Charges for Services	2,402
Miscellaneous	<u>1,186</u>
Total Revenues	<u>41,662</u>
<b>Expenditures</b>	
Current:	
General Government	26,561
Public Safety	10,929
Highways and Streets	6,178
Culture and Recreation	<u>1,785</u>
Total Expenditures	<u>45,453</u>
Net Change in Fund Balances	(3,791)
Fund Balances Beginning of Year - Restated	<u>55,827</u>
Fund Balances End of Year	<u><u>\$ 52,036</u></u>

**Town of Lynndyl**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2005**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (3,791)**

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense. This is the amount by which capital  
outlays exceeded depreciation in the current period.

(5,461)

**Change in Net Assets of Governmental Activities**

**\$ (9,252)**

**Town of Lyndyl**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget (Non-GAAP) and Actual**  
**General Fund**  
**For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Taxes:				
Property Taxes	\$ 11,000	\$ 11,000	\$ 8,481	\$ (2,519)
General Sales Taxes	9,000	9,000	13,915	4,915
Licenses and Permits	200	200	729	529
Intergovernmental	19,700	19,700	14,949	(4,751)
Charges for Services	4,800	4,800	2,402	(2,398)
Miscellaneous	1,000	1,000	1,186	186
<b>Total Revenues</b>	<u>45,700</u>	<u>45,700</u>	<u>41,662</u>	<u>(4,038)</u>
<b>Expenditures</b>				
Current:				
General Government	24,500	24,500	26,561	(2,061)
Public Safety	7,600	7,600	10,929	(3,329)
Highways and Streets:	30,300	30,300	6,178	24,122
Sanitation	4,800	4,800	-	4,800
Culture and Recreation:	1,000	1,000	1,785	(785)
<b>Total Expenditures</b>	<u>68,200</u>	<u>68,200</u>	<u>45,453</u>	<u>22,747</u>
<b>Net Change in Fund Balance</b>	<u>(22,500)</u>	<u>(22,500)</u>	<u>(3,791)</u>	<u>(26,785)</u>
<b>Fund Balance Beginning of Year</b>	<u>55,827</u>	<u>55,827</u>	<u>55,827</u>	<u>-</u>
<b>Fund Balance End of Year</b>	<u>\$ 33,327</u>	<u>\$ 33,327</u>	<u>\$ 52,036</u>	<u>\$ (26,785)</u>

**Town of Lynndyl**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

	<u>Business Type Activities - Enterprise Funds</u>
	<u>Water</u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 21,287
Total Current Assets	<u>21,287</u>
Noncurrent Assets:	
Capital Assets:	
Improvements Other Than Buildings	503,011
Less Accumulated Depreciation	<u>(392,765)</u>
Total Capital Assets, Net	<u>110,246</u>
Total Noncurrent Assets	<u>110,246</u>
Total Assets	<u>131,533</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	455
Matured Bonds Payable	5,724
Matured Interest Payable	<u>6,323</u>
Total Current Liabilities	<u>12,502</u>
Long-Term Liabilities:	
Revenue Bonds Payable (net of current portion)	<u>61,075</u>
Total Long-Term Liabilities	<u>61,075</u>
Total Liabilities	<u>73,577</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	43,447
Unrestricted	<u>14,509</u>
Total Net Assets	<u>\$ 57,956</u>

**Town of Lynndyl**  
**Statement of Revenues,**  
**Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	<u>Business Type Activities - Enterprise Funds</u>
	<u>Water</u>
<b>Operating Revenues</b>	
Charges for Services	\$ 32,694
Total Operating Revenues	<u>32,694</u>
<b>Operating Expenses</b>	
Costs of Sales and Services	8,152
Maintenance Operations and Contractual Services	17,545
Materials and Supplies	809
Depreciation	12,575
Miscellaneous	<u>-</u>
Total Operating Expenses	<u>39,081</u>
Operating Income (Loss)	<u>(6,387)</u>
<b>Non-Operating Revenues (Expenses)</b>	
Interest Income	113
Interest and Fiscal Charges	<u>(1,798)</u>
Total Non-Operating Revenues (Expenses)	<u>(1,685)</u>
Change in Net Assets	(8,072)
Net Assets Beginning of Year	<u>66,028</u>
Net Assets End of Year	<u>\$ 57,956</u>

**Town of Lynndyl**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2005**

	<b>Business Type Activities - Enterprise Funds</b>
	<b>Water</b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers and Users	\$ 32,694
Cash Payments to Employees for Services	-
Cash Payments for Goods and Services	(26,506)
Other Cash Payments	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>6,188</b>
<b>Cash Flows from Noncapital Financing Activities</b>	<b>-</b>
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal Paid on Revenue Bonds	(5,660)
Interest Paid on Revenue Bonds	(1,798)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(7,458)</b>
<b>Cash Flows from Investing Activities</b>	
Interest Income Received	113
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,157)</b>
Cash and Cash Equivalents Beginning of Year	22,444
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 21,287</b>
<b>Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating Income (Loss)	\$ (6,387)
Adjustments:	
Depreciation	12,575
(Increase) Decrease in Assets:	
Accounts Receivable	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 6,188</b>

**TOWN OF LYNN DYLL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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**TOWN OF LYNN DYLL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Town the option of electing to apply FASB pronouncements issued after November 30, 1989. The Town has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1.A. FINANCIAL REPORTING ENTITY**

The Town operates under a Town Council/Mayor form of government and provides the following services: public safety (police and fire), highway and streets, sanitation, water, recreation, and general administrative services.

The Town follows the definition criteria of GASB to establish its reporting entity. Oversight responsibility is the primary criteria used. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

There are no component units included in this report

**1.B. BASIS OF PRESENTATION**

***Government-wide Financial Statements:***

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

***Fund Financial Statements:***

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing

**TOWN OF LYNN DYLL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

***Governmental Funds***

**General Fund**

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

***Proprietary Fund***

**Enterprise Fund**

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

***Major and Nonmajor Funds***

The funds are further classified as major or non-major as follows:

Fund	Brief Description
Major:	
General	See above for description.
Proprietary Fund:	
Water Utility	Accounts for activities of providing water services to the public.
Nonmajor:	
None	

**TOWN OF LYNN DYL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

***Measurement Focus***

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

***Basis of Accounting***

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

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All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**1.D. ASSETS, LIABILITIES, AND EQUITY**

***Cash and Investments***

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented at Note 3.A.

***Interfund Receivables and Payables***

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

***Receivables***

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment

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earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

***Fixed Assets***

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

***Government-wide Statements***

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	20 to 40 years	20 to 40 years
Machinery and Equipment	5 to 15 years	5 to 15 years
Infrastructure	30 years	30 years

***Fund Financial Statements***

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

***Restricted Assets***

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts and utility meter deposits.

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***Long-term Debt***

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and a court-assessed judgment.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**Equity Classifications**

***Government-wide Statements***

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

**Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

**1.E. REVENUES, EXPENDITURES, AND EXPENSES**

***Property Tax***

Property tax revenue is levied, collected, and distributed by Millard County, as required by State Law. Utah statutes establish the process by which taxes are levied and collected.

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The County Assessor is required to assess property as of January 1<sup>st</sup>, and complete the tax rolls by May 15<sup>th</sup>. By July 21<sup>st</sup>, the County Treasurer is to mail notices of assessed value to property owners. A taxpayer may then petition the County Board of Equalization between August 1<sup>st</sup> and August 15<sup>th</sup>, for a revision of the assessed value. The County Auditor makes approved changes in assessed value by October 15<sup>th</sup>. By November 1<sup>st</sup> the Auditor is to deliver the completed assessment rolls to the State Treasurer. Real property tax notices are mailed with a due date of November 30<sup>th</sup>. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of any additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements.

***Operating Revenues and Expenses***

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a local government unit, the Town is subject to various federal, state, and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

**2.A. BUDGETARY BASIS OF ACCOUNTING**

Budgetary procedures for the Town have been established by the State of Utah. The basis of accounting applied to the budget is the same basis as the related financial statements.

Annual budgets are prepared and adopted in accordance with State law by the Council on or before June 30 for the following fiscal year beginning July 1. Budgets may be

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increased by resolution of the Council at any time during the year, provided a public hearing has been held regarding any proposed increase.

Under Utah Code, the Town's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**3.A. DEPOSITS AND INVESTMENTS**

Deposits and investments for the local government are governed by the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

***Deposits***

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be returned to the Town. The Town's policy for managing custodial credit risk is to adhere to the Act. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

At December 31, 2005, the carrying amount of the Town's deposits was \$4,143, and the bank balance was \$25,992. Of the total bank balance, \$25,992 was covered by federal depository insurance.

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***Investments***

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed.

The Town is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

For the year ended December 31, 2005 the Town had investments of \$68,028 with the PTIF. The entire balance matures in less than one year. The PTIF pool has not been rated.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act and to invest mainly in the PTIF. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

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**3.B. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2005, was as follows:

Machinery & Equipment	60,647	-	-	60,647
Infrastructure	-	-	-	-
Totals at historical cost	<u>172,787</u>	<u>-</u>	<u>-</u>	<u>172,787</u>
Less Accum. Depreciation				
Buildings	(54,433)	(1,750)	-	(56,183)
Machinery & Equipment	(46,271)	(3,711)	-	(49,982)
Infrastructure	-	-	-	-
Total Accum. Depreciation	<u>(100,704)</u>	<u>(5,461)</u>	<u>-</u>	<u>(106,165)</u>
Governmental Activities				
capital assets, net	72,083	(5,461)	-	66,622
Business-type activities:				
Improvements Other Than				
Buildings	503,011	-	-	503,011
Totals at historical cost	<u>503,011</u>	<u>-</u>	<u>-</u>	<u>503,011</u>
Less Accum. Depreciation				
Machinery & Equipment	(380,190)	(12,575)	-	(392,765)
Total Accum. Depreciation	<u>(380,190)</u>	<u>(12,575)</u>	<u>-</u>	<u>(392,765)</u>
Business-type activities				
capital assets, net	<u>\$ 122,821</u>	<u>\$ (12,575)</u>	<u>\$ -</u>	<u>\$ 110,246</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 1,750
Public Safety	3,711
Highways and Streets	-
Culture and Recreation	-
Total depreciation expense	<u>\$ 5,461</u>

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**3.C. LONG-TERM DEBT**

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

***Governmental Activities:***

None

***Business-type Activities:***

As of June 30, 2005, the long-term debt payable from proprietary fund resources and the annual debt service requirements to maturity, including principal and interest, are as follows:

**Culinary Water Revenue Bond, Series A, 1983**

Year Ending June 30	Interest Rate	Principal Due	Interest Due
2006	0%	\$ 2,420	\$ -
2007	0%	2,420	-
2008	0%	2,420	-
2009	0%	2,420	-
Total		<u>\$ 9,680</u>	<u>\$ -</u>

**Culinary Water Revenue Bond, Series B, 1983**

Year Ending June 30	Interest Rate	Principal Due	Interest Due
2006	0%	\$ 1,637	\$ 1,254
2007	0%	1,704	1,187
2008	0%	1,773	1,118
2009	0%	1,846	1,046
2010	0%	1,921	970
2011 to 2015	0%	10,843	3,612
2016 to 2020	0%	12,390	1,251
Total		<u>\$ 32,114</u>	<u>\$ 10,438</u>

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**Culinary Water Revenue Bond, Series C, 1983**

<u>Year Ending June 30</u>	<u>Interest Rate</u>	<u>Principal Due</u>	<u>Interest Due</u>
2006	0%	\$ 1,667	\$ -
2007	0%	1,667	-
2008	0%	1,667	-
2009	0%	1,667	-
2010	0%	1,667	-
2011 to 2015	0%	8,335	-
2016 to 2020	0%	8,335	-
Total		<u>\$ 25,005</u>	<u>\$ -</u>

**Combined total debt service**

<u>Year Ending June 30</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
2006	\$ 5,724	\$ 1,254	\$ 6,978
2007	5,791	1,187	6,978
2008	5,860	1,118	6,978
2009	5,933	1,046	6,979
2010	3,588	970	4,558
2011 to 2015	19,178	3,612	22,790
2016 to 2020	20,725	1,251	21,976
Total	<u>\$ 66,799</u>	<u>\$ 10,438</u>	<u>\$ 77,237</u>

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**NOTE 4. OTHER NOTES**

**4.A. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Town manages these various risks of loss through the purchase of commercial insurance. The Town has also purchased a workers' compensation policy. Claims during the last three years have not exceeded coverage.